

WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, New York 10153
Telephone: (212) 310-8000
Facsimile: (212) 310-8007
Robert J. Lemons

Attorneys for Debtors
and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re	:	Chapter 11 Case No.
	:	
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i>,	:	08-13555 (JMP)
	:	
Debtors.	:	(Jointly Administered)
	:	
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**DECLARATION OF ROBERT HERSHAN IN SUPPORT OF
DEBTORS' MOTION FOR APPROVAL OF SETTLEMENT AGREEMENTS
WITH (I) ELLIOTT ASSOCIATES, L.P. AND ALSTON INVESTMENTS LLC
AND (II) ELLIOTT INTERNATIONAL, L.P AND ASHTON INVESTMENTS LLC**

Pursuant to 28 U.S.C. § 1746, I, Robert Hershan, declare:

1. I am over the age of 18 years and make these statements of my own personal knowledge, my review of the business records of Lehman Brothers Holdings Inc. ("LBHI") and its affiliated debtors in the above-referenced chapter 11 cases, as debtors in possession (together, the "Debtors"), and/or my consultation with employees of the Debtors. If called to testify, I could testify to the truth of the matters set forth herein.

2. I submit this Declaration in support of the *Debtors' Motion for Approval of Settlement Agreements with (I) Elliott Associates, L.P. and Alston Investments LLC and (II)*

Elliott International, L.P. and Ashton Investments LLC (the “Motion”).¹ I have reviewed the Motion, and I adopt the representations contained therein, as if set forth in full in this Declaration.

3. I am a Managing Director with Alvarez and Marsal. I was assigned to the Lehman matter on September 17, 2008. My primary areas of responsibility include managing a portfolio of the Debtors’ derivatives transactions. Through consultation with employees of the Debtors, I have been informed about the Debtors’ negotiations with the Counterparties and the Settlement Agreements. My statements herein are based on those consultations and my experience managing the Debtors’ derivatives transactions.

4. I am familiar with the Debtors’ pre-petition derivatives transactions with Elliott Associates and with Elliott International that are the subject of the Motion as well as the primary and guarantee derivatives claims asserted by Alston and Ashton in the Debtors’ chapter 11 cases. The Motion accurately describes each of the foregoing.

5. The Elliott Associates Transactions and the Elliott International Transactions are highly speculative and very sophisticated, complex financial transactions, including (i) interest rate swaption transactions, (ii) single name, index and tranching index credit derivatives, (iii) index trades on asset-backed securities and (iv) single name credit default swaps on European residential mortgage-backed securities. The valuation of the relevant structured products is extremely difficult due to the illiquidity of the markets during the relevant periods, making available data extremely volatile. Additionally, the international nature of the products poses unique valuation challenges due to currency concerns, legal and regulatory issues, cross-border market segmentation, and the lack of available data. Consequently, the Alston Asserted Claims

¹ Capitalized terms not defined herein shall have the meanings ascribed to them in the Motion.

and the Ashton Asserted Claims are enormously difficult to analyze. The novelty of the underlying legal issues may swing values widely, with a risk that the primary and guarantee derivatives claims of Alston and the Ashton could be allowed in amounts greatly in excess of the amounts that will be allowed under the Settlement Agreements. The Debtors spent more than two years and devoted a significant amount of resources to gathering and collating trade data with respect to the Alston Asserted Claims and the Ashton Asserted Claims to determine and reconcile trade values and evaluate the validity of such claims. As part of the process, the Debtors also engaged in extended discussions and negotiations with the Counterparties.

6. After an in-depth review of the Alston Asserted Claims and the Ashton Asserted Claims and following such negotiations with the Counterparties, the Debtors, in consultation with their attorneys, concluded that the Alston Asserted Claims and the Ashton Asserted Claims, if left unresolved, would result in protracted and costly litigation to fix and determine the valid and accurate amounts of the Alston Asserted Claims and the Ashton Asserted Claims. In an effort to avoid such extensive and costly litigation, the Debtors and the Counterparties reached comprehensive settlements that resolve the Alston Asserted Claims and the Ashton Asserted Claims.

7. It is my understanding that the Motion accurately reflects the terms of the Settlement Agreements. Pursuant to the Alston Settlement Agreement, Alston's primary derivatives claim against LBSF will be reduced by approximately \$17.3 million and its guarantee derivatives claim against LBHI will be reduced by the same amount, for a total reduction of approximately \$34.5 million or 42% of the Alston Asserted Claims. In addition, pursuant to the Ashton Settlement Agreement, Ashton's primary derivatives claim against LBSF will be reduced by approximately \$25.9 million and its guarantee derivatives claim against LBHI will be reduced

by the same amount, for a total reduction of approximately \$51.9 million or 45% of the Ashton Asserted Claims. The total reductions of Alston's and Ashton's asserted claims against the Debtors – approximately \$86.4 million – are very significant.

8. The Settlement Agreements were each negotiated over a period of several months, in good faith, and at arm's-length. The settlements are not the product of fraud or collusion. Significant resources have been invested by the Debtors in evaluating all of the issues resolved by the Settlement Agreements. The Debtors believe that the Settlement Agreements are sound exercises of business judgment that resolve highly complex issues and far outweigh the alternative of objecting to the allowance of Alston's or Ashton's derivatives claims.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct to the best of my knowledge.

Executed on this 9th day of November 2011.

/s/ Robert Hershan
Robert Hershan